

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>PUTNAM DISTRICT LIBRARY</b>	County <b>BARRY</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>9/17/04</b>	Date Accountant Report Submitted to State: <b>9/23/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>FOOTE AND LLOYD, CERTIFIED PUBLIC ACCOUNTANTS</b>			
Street Address <b>TWO WEST MICHIGAN, SUITE 210</b>		City <b>BATTLE CREEK</b>	State <b>MI</b>
		ZIP <b>49017-3621</b>	
Accountant Signature <i>Charles W. Foote</i>		Date <b>9/23/04</b>	

**PUTNAM DISTRICT LIBRARY  
NASHVILLE, MICHIGAN**

**REPORT OF AUDIT  
AS OF  
MARCH 31, 2004**

**FOOTE and LLOYD  
CERTIFIED PUBLIC ACCOUNTANTS  
BATTLE CREEK, MICHIGAN**

**PUTNAM DISTRICT LIBRARY**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Putnam District Library  
Nashville, Michigan

We have audited the balance sheet of Putnam District Library as of March 31, 2004, and the related statement of support, revenues and expenses and changes in fund balances for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Putnam District Library as of March 31, 2004, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Foote and Lloyd*

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan  
September 17, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Balance Sheet/Statement of Net Assets shows the financial position of the Putnam District Library at the close of March 31, 2004. The Statement of Revenue, Expenditures and Changes in Fund Balance/Statement of Activities shows the results of the Library's activities during the fiscal year then ended. The Statement of Support, Revenues, Expenditures & Changes in Fund Balance shows the relationship of the original budget, the final (amended) budget and the actual activity for the fiscal year.

The Condensed Financial Information from the Government-wide Financial Statements follows:

### PUTNAM DISTRICT LIBRARY CONDENSED FINANCIAL INFORMATION FROM THE GOVERNMENT-WIDE FINANCIAL STATEMENTS MARCH 31

	<u>2004</u>	<u>2003</u>
Total Assets	<u>355,953</u>	<u>335,913</u>
Total Liabilities	2,066	1,196
Net Assets: Capital Assets Net of Related Debt	3,023	3,182
Restricted	15,000	14,709
Temporarily Restricted	1,525	0
Unrestricted	<u>334,339</u>	<u>316,826</u>
Program Revenues: Fines, Fees, Rentals and Sales	3,241	1,839
Other	1,015	1,856
Grants	6,046	0
General Revenues: Property Taxes	37,655	36,245
State Aid and Penal Fines	18,696	19,527
Investment Earnings	9,717	6,785
Contributions for Operating	<u>400</u>	<u>62,697</u>
Total Revenues	76,770	128,949
Program Expenses by Function: Library	59,125	75,490
Total Expenses	<u>59,125</u>	<u>75,490</u>
Change in Net Assets	17,645	53,459
Beginning Net Assets	334,717	281,258
Change in Temporarily Restricted Net Assets	<u>1,525</u>	<u>0</u>
Ending Net Assets	<u>353,887</u>	<u>334,717</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS  
Page 2

The Putnam District Library, again this year, had a positive year financially.

Maple Grove and Castleton Township voters approved our millage renewal request. Also, the programs offered at the library have increased our patronage.

The State Aid was nearly the same as the previous year, but we did experience a decline in penal fines revenue.

We are using interest from two CDs. One builds our computer fund and goes into a savings account earmarked only for computers. A record of this is being kept monthly. The other CD interest is put in the checking account and is used where needed. We have not felt it necessary to use any other accumulated interest and don't expect to do so.

The Staff and Board are made aware monthly of all budgeted balances to help prevent overspending or encountering money shortage problems. We all work faithfully to provide for the needs and wishes of our community.

**PUTNAM DISTRICT LIBRARY**  
**GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS**  
**MARCH 31, 2004**

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
<b>Assets</b>			
Cash and Cash Equivalents	315,619	0	315,619
Investments	33,144	0	33,144
Receivables – Property Taxes	4,167	0	4,167
Fixed Assets - Net	<u>0</u>	<u>3,023</u>	<u>3,023</u>
<b>TOTAL ASSETS</b>	<u><b>352,930</b></u>	<u><b>3,023</b></u>	<u><b>355,953</b></u>
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	<u>2,066</u>	<u>0</u>	<u>2,066</u>
<b>Total Liabilities</b>	<u><b>2,066</b></u>	<u><b>0</b></u>	<u><b>2,066</b></u>
<b>Fund Balance/Net Assets</b>			
Fund Balances - Reserved			
Permanently Reserved	15,000	(15,000)	
Temporarily Reserved	1,525	(1,525)	
Fund Balances – Unreserved			
Undesignated	304,339	(304,339)	
Designated	<u>30,000</u>	<u>(30,000)</u>	
<b>Total Fund Equities</b>	<u><b>350,864</b></u>	<u><b>(350,864)</b></u>	
<b>Total Liabilities and Fund Balance</b>	<u><b>352,930</b></u>		
<b>Net Assets</b>			
Invested in Capital Assets (net of any related debt)		3,023	3,023
Restricted		15,000	15,000
Temporarily Restricted		1,525	1,525
Unrestricted		<u>334,339</u>	<u>334,339</u>
<b>Total Net Assets</b>		<u><b>353,887</b></u>	<u><b>353,887</b></u>

The Notes to Financial Statements are an integral part of this statement.

**PUTNAM DISTRICT LIBRARY  
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
<b>REVENUE</b>			
Property Taxes	37,655		37,655
State Aid	5,542		5,542
Penal Fines	13,154		13,154
Interest on Investments	9,717		9,717
Contributions and Donations	400		400
Library Fines, Fees, Rentals and Sales	3,241		3,241
Other	1,015		1,015
Grants	<u>6,046</u>	<u>          </u>	<u>6,046</u>
<b>TOTAL REVENUES</b>	<b>76,770</b>	<b>0</b>	<b>76,770</b>
<b>EXPENDITURES</b>			
Salaries	30,232		30,232
Fringe Benefits	2,313		2,313
Supplies	1,706		1,706
Library Books and Materials	6,022		6,022
Dues	3,225		3,225
Building Repair and Maintenance	0		0
Other Repair and Maintenance	1,783		1,783
Professional Fees	900		900
Communications	2,218		2,218
Travel	72		72
Insurance	478		478
Utilities	3,875		3,875
Miscellaneous	50		50
Capital Outlay	0		0
Grants	6,092		6,092
Depreciation	<u>0</u>	<u>159</u>	<u>159</u>
<b>TOTAL EXPENDITURES</b>	<b><u>58,966</u></b>	<b><u>159</u></b>	<b><u>59,125</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>17,804</b>	<b>159</b>	<b>17,645</b>
<b>FUND BALANCE - Beginning of Year</b>	<b>331,535</b>	<b>3,182</b>	<b>334,717</b>
<b>Change in Temporarily Restricted Fund Balance</b>	<b><u>1,525</u></b>	<b><u>0</u></b>	<b><u>1,525</u></b>
<b>FUND BALANCE - End of Year</b>	<b><u>350,864</u></b>	<b><u>3,023</u></b>	<b><u>353,887</u></b>

The Notes to Financial Statements are an integral part of this statement.



**PUTNAM DISTRICT LIBRARY  
STATEMENT OF SUPPORT, REVENUES, EXPENDITURES  
& CHANGES IN FUND BALANCE – BUDGET & ACTUAL  
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Property Taxes	35,000	35,000	37,655	2,655
Penal Fines	12,000	12,000	13,154	1,154
State Aid	5,000	5,000	5,542	542
Contributions	1,000	1,000	400	(600)
Book Fines & Sales, Fax, Copy Machine & Other	400	400	4,256	3,856
Interest Earned	3,930	3,930	9,717	5,787
Grant Revenue	<u>0</u>	<u>0</u>	<u>6,046</u>	<u>6,046</u>
<b>TOTAL REVENUES</b>	<b>57,330</b>	<b>57,330</b>	<b>76,770</b>	<b>19,440</b>
<b>EXPENDITURES</b>				
Books, Periodicals, Audio-Visual Material	5,000	5,000	6,022	(1,022)
Seminars, Workshops & Travel	400	75	72	3
Program Expenses	800	800	0	800
Co-Op Dues	2,500	2,500	2,336	164
Salaries	35,000	35,000	30,232	4,768
Payroll Taxes & Fringe Benefits	0	0	2,313	(2,313)
Insurance	575	678	478	200
Office & Postage	3,000	3,000	1,706	1,294
Dues	200	422	889	(467)
Utilities	4,400	4,400	3,875	525
Repairs & Maintenance	1,000	1,000	1,783	(783)
Professional Fees	900	900	900	0
Other	100	100	50	50
Communication	2,000	2,297	2,218	79
Capital Outlay	0	0	0	0
Grant Expenditures	<u>400</u>	<u>103</u>	<u>6,092</u>	<u>(5,989)</u>
<b>TOTAL EXPENDITURES</b>	<b><u>56,275</u></b>	<b><u>56,275</u></b>	<b><u>58,966</u></b>	<b><u>(2,691)</u></b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>		<b>1,055</b>	<b>17,804</b>	<b>16,749</b>
<b>FUND BALANCE - Beginning of Year</b>		<b>331,535</b>	<b>331,535</b>	<b>0</b>
<b>Change in Temporarily Restricted Fund Balance</b>		<u>0</u>	<u>1,525</u>	<u>1,525</u>
<b>FUND BALANCE - End of Year</b>		<u><b>332,590</b></u>	<u><b>350,864</b></u>	<u><b>18,274</b></u>

The Notes to Financial Statements are an integral part of this statement.

**PUTNAM DISTRICT LIBRARY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - DESCRIPTION OF REPORTING ENTITY**

The Putnam District Library is, for financial reporting purposes within generally accepted accounting principles, an independent governmental entity that was formed jointly by local units of government to provide library services to residents of the Village of Nashville and surrounding townships.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Putnam District Library conform to generally accepted accounting principles as applicable to public libraries.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current portion or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Unrestricted Operating Fund - Represents expendable funds which may be used for any purpose in the operation of the Library at the discretion of the Board of Trustees.

Use of Resources - It is the Library's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Inexhaustible Collections and Books - Because the values of the existing inexhaustible collections, including research books, are not readily determinable, the library has not capitalized them. Accessions and de-accessions during the fiscal year were not significant. Books used in the circulating library have not been capitalized because their estimated useful lives are less than one year.

Capital Assets – Capital assets are defined by the Library as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and Equipment	5 - 20 years
Improvements	10 - 20 years

**PUTNAM DISTRICT LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Use of Estimates in the Preparation of Financial Statements* - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

**NOTE 3 - BUDGETARY CONSIDERATIONS**

PA 621 of 1978, section 18(1), as amended, provided that a local unit of government such as the Library shall not incur expenditures in excess of the amount budgeted. During the year ended March 31, 2004, total expenditures were not in excess of the total budget.

The only reconciling item between budgetary information and GAAP information is the reclassification of capital outlay to fixed assets.

**NOTE 4 - RELATIONSHIP WITH CASTLETON TOWNSHIP**

Under State Treasury Guidelines, the Library is a district library and is not a component unit of Castleton Township, Maple Grove Township, or the Village of Nashville and is not reported in any of those audits as such.

**NOTE 5 - BALANCE SHEET CASH AND INTEREST BEARING DEPOSITS AND INVESTMENTS**

Deposits are carried at cost. Deposits of the Library are at one bank in the name of the Library. Act 217, PA 1982, authorizes the Library to deposit and invest in the accounts of the federally insured banks, insured credit unions, and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States Government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Library's deposits are in accordance with statutory authority.

**PUTNAM DISTRICT LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)**

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**NOTE 5 - BALANCE SHEET CASH AND INTEREST BEARING DEPOSITS AND INVESTMENTS  
(Continued)**

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Library's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	271,829	271,829
Uninsured and Uncollateralized	<u>43,790</u>	<u>45,150</u>
Total Deposits	<u>315,619</u>	<u>316,979</u>

**NOTE 6 - CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Other Capital Assets:				
Furniture and Equipment	<u>3,182</u>	<u>0</u>	<u>0</u>	<u>3,182</u>
Total	3,182	0	0	3,182
Accumulated Depreciation	<u>0</u>	<u>(159)</u>	<u>0</u>	<u>(159)</u>
Net Book Value	<u>3,182</u>	<u>(159)</u>	<u>0</u>	<u>3,023</u>

**NOTE 7 - REVENUE**

A major source of revenue for the Library is a voted millage of .4804 mills voted by the residents of Castleton and Maple Grove Townships. The millage is collected by the Townships and forwarded to the Library.

**NOTE 8 - INSURANCE RISK**

The Library's insurance for Workers' Compensation, General Liability and Property Loss and Fleet Insurance is carried by an insurance company. The Library is not self-insured other than for minimal deductibles. No known material claims are outstanding.

**PUTNAM DISTRICT LIBRARY  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)**

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**NOTE 9 – RESTRICTED (PERMANENTLY RESERVED) FUND BALANCE**

The amount thus noted is in a bank certificate of deposit the principal of which is to remain untouched. The earnings that it generates can be used for operations.

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LETTER OF COMMENT AND RECOMMENDATION

To the Board of Putnam District  
Library  
Barry County, Michigan

This letter is being written as part of the audit for the year ended March 31, 2004, of the financial records of Putnam District Library, Barry County, Michigan. We have forwarded to the State of Michigan their required copies of the audit report.

We thank you for the opportunity of performing your audit for the year ended March 31, 2004. We found the records to be in satisfactory condition and feel that your Treasurer is doing a good job in financial record keeping tasks. An original budget should be adopted for each fiscal year and then amended periodically as needed. In theory, the budget approved and amended by the Board authorizes expenditures that are made. Thus, the budget should be amended when it is anticipated that an expenditure will exceed the amount which had been budgeted. You have continued to improve in this area, however, a bit more care and attention is needed.

We wish to thank you for the opportunity of serving you again this year and for the cooperation and assistance we received from all persons contacted during the audit. Please feel free to call us if you have any questions or need assistance.

*Foote and Lloyd*

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan  
September 17, 2004